

US BANKRUPTCY COURT  
DISTRICT OF DELAWARE  
Monthly Operating Report

In re: Breakaway Solutions ,Inc.

Case Number: 01-10323-JWV

**August 1, 2006 through September 7, 2006**  
**FINAL REPORT BANKRUPTCY DISMISSED SEPTEMBER 7, 2006**

File with Court and submit copy to United States Trustee withing 20 days after end of month

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document	Explanation
		Attached	Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X	
Bank Reconciliation (or copies of debtor's bank reconciliations)		X	
Copies of bank statements		X	
Cash disbursements journals		X	
Statement of Operations	MOR-2	X	
Balance Sheet	MOR-3	X	
Status of Postpetition Taxes	MOR-4	X	
Copies of IRS Form 6123 or payment receipt		N/A	
Copies of tax returns filed during reporting period		N/A	
Summary of Unpaid Postpetition Debts	MOR-4	X	
Listing of aged accounts payable	MOR-4A	X	
Accounts Receivable Reconciliation and Aging	MOR-5	X	
Debtor Questionnaire	MOR-5	X	

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature of Debtor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Debtor

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature of Authorized Individual

9/8/06  
\_\_\_\_\_  
Date

E. Talbot Briddell

\_\_\_\_\_  
Printed Name of Authorized Individual

\_\_\_\_\_  
President

\_\_\_\_\_  
Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE  
CASH FLOW

In re: Breakaway Solutions ,Inc.

Case Number: 01-10323-JWV

	Cash Flow		
	Actual Aug 1, 2006 7-Sep-2006	Actual 9/6/01 thru 7-Sep-06	Budget 7-Sep-06
Ordinary Income/Expense			
Receipts			
ASP Hosting Pre-petition	0	1,978,360	2,043,294
ASP Post-Petition		982,418	899,925
PS Post-Petition		614,538	563,389
PS Pre-petition		1,704,859	1,866,465
Total Receipts	0	5,280,175	5,373,073
Disbursements			
Corporate Expenses			
Benefits net of Cobra	0	-143,425	-99,157
Billable Expense	0	47,685	47,685
Employee Support Costs - Corp	0	32,888	26,577
Insurance - Corporate	0	75,958	76,208
Legal	0	995,253	572,554
Other Expense		142,849	141,684
Rent - Corporate		113,266	155,195
Rent - Storage Facilities		65,941	60,487
Rent Utilities/Maintenance		0	0
Salaries & Wages/Emp Taxes	962	1,463,046	1,390,679
Sales Commissions	0	34,461	34,461
Total Corporate Expenses	962	2,827,922	2,406,373
Hosting Expenses			
Bandwidth	0	9,331	9,331
E On-Call Wages	0	20,600	20,600
Employee Support Costs - ASP	0	32,475	32,475
Outside Consultants	0	51,620	51,620
Rent	0	54,373	54,373
Rent Utilities/Maintenance	0	17,381	17,381
Total Hosting Expenses	0	185,780	185,780
Total Operating Disbursements	962	3,013,702	2,592,153
Net Ordinary Income Cash Flow	-962	2,266,473	2,780,920
Other Receipts/Disbursements			
Other Cash Receipts	0	1,148	
Interest Income		18,468	13,194
Other Receivables		739,580	720,271
Bad Debt Recovery		1,124,837	660,000
Preference Payments	0	423,500	
Sale of Hosting	0	1,491,097	1,483,279
Sale of Assets (1)	0	660,501	440,788
Total Other Income	0	4,459,131	3,317,532
Other Cash Disbursements			
Loan Repayments	0	4,667,673	2,964,012
Interest Expense	0	389,143	563,087
401K payment	0	9,474	12,474
Severance	0	142,510	142,510
Officer Salary	1,189	131,032	158,431
Gestalt Subcontracting Fees		532,604	508,953
Gestalt/NCO Collection Fees		124,260	109,028
Tax Audit Consultants	0	54,303	98,185
Other Disbursements	600	327,766	289,020
Taxes		-97,996	-33,494
Bankruptcy Fee	0	38,750	38,500
Section 125 VESA	0	40,294	40,294
Total Other Expense	1,789	6,359,813	4,891,000
Total Other Receipts & Disbursements	-1,789	-1,900,682	-1,573,468
Net Change in Cash	-2,751	365,792	1,207,452

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

Cash Disbursements

In re: Breakaway Solutions ,Inc.

Case Number: 01-10323-JWV

Type	Date	Num	Name	Memo	Amount
	Aug. 29	3206	E. Talbot Briddell	August Payroll	1,188.80
	Aug. 29	EFTPS	IRS	August Payroll Taxes	901.00
	Aug. 29	EFTPS	PA Dept of Revenue	August Payroll Taxes	61.40
	Sept. 7	3207	E. Talbot Briddell	July MOR preparation fee	200.00
	Sept. 7	3208	E. Talbot Briddell	August MOR preparation fee	200.00
	Sept. 7	3209	E. Talbot Briddell	September MOR preparation fee	200.00
			TOTAL		<u>2,751.20</u>

In re: Breakaway Solutions ,Inc.

## Income Statement

Case Number: 01-10323-JWV

	7-Sep-2006	7-Sep-2006
Ordinary Income/Expense		
Income		
ASP Hosting Revenue	0.00	1,024,806.13
Professional Services Revenue	0.00	619,963.04
Total Income	0.00	1,644,769.17
Cost of Goods Sold Professional Services		
Gestalt Subcontracting Fees	0.00	555,155.09
Total Cost of Goods Sold PS	0.00	555,155.09
Gross Profit	0.00	1,089,614.08
Expense		
Corporate Expenses		
Benefits net of Cobra	0.00	-10,438.77
Billable Expense	0.00	-18,454.86
Employee Support Costs - Corp	0.00	29,807.49
Employer Taxes	156.60	83,834.26
Insurance - Corporate	0.00	508,907.62
Other Expense	0.00	140,177.57
Accounting Fees	0.00	46,109.22
Legal Fees	0	1,389,887.62
PS Rent	0.00	831,198.22
Rent - Storage Facilities	0.00	69,034.85
Rent - Corporate	0.00	133,727.99
Rent Utilities/Maintenance	0.00	136,544.52
Sales Commissions	0.00	22,795.93
Salaries & Wages	2,000.00	953,795.15
Total Corporate Expenses	2,156.60	4,316,926.81
Hosting Expenses		
Bandwidth	0.00	138,849.26
Circuit Charges	0.00	26,348.34
Data Center Rent	0.00	297,085.17
E On-Call Wages	0.00	20,600.00
Employee Support Costs - asp	0.00	46,273.36
Maintenance-Hardware	0.00	1,366.28
Outside Consultants	0.00	51,620.00
Rent	0.00	54,373.95
Rent Utilities/Maintenance	0.00	25,119.07
Salaries/Wages	0.00	480,571.12
Total Hosting Expenses	0.00	1,142,206.55
Total Expense	2,156.60	5,459,133.36
Net Ordinary Income	-2,156.60	-4,369,519.28
Other Income/Expense		
Other Income	0.00	1,148.13
Interest Income	0.00	24,073.25
Sale of Hosting/ASP	0.00	1,483,279.24
Sale of Assets	0.00	1,047,410.78
Preference Payments	0.00	577,052.61
Bad Debt Recovery	0.00	1,154,480.39
AP Settlements	0.00	34,120.00
Writedown of Assets	0.00	-1,885,814.82
Total Other Income	0.00	2,435,749.58
Other Expense		
Bankruptcy Fee	0.00	39,000.00
Bad Debt Expense	0.00	1,100,789.57
401k costs	0.00	13,884.23
Collection Fees	0.00	134,564.70
Interest Expense	13,053.00	1,307,996.07
Stay/Sale Bonus	0.00	142,510.00
Taxes	0.00	-97,995.82
Other Expense	0.00	346,427.12
Total Other Expenses	13,053.00	2,987,175.87
Total Other Expense	13,053.00	2,987,175.87
Net Other Income	-13,053.00	-551,426.29
Net Income	-15,209.60	-4,920,945.57

In re: Breakaway Solutions ,Inc.

**Balance Sheet**

Case Number: 01-10323-JWV

Pre-petition Accounts Payable	8,133,583.26
Prepetition Acc Employee Liab	
Accrued Commission	5,073.16
Accrued Employee Reimb	16,613.41
Accrued Salaries & Wages	0.00
Accrued Severance/Bonuses/Vac	591,414.93
Total Prepetition Acc Employee Liab	<u>613,101.50</u>
Total Other Current Liabilities	<u>9,570,102.82</u>
Total Current Liabilities	10,742,422.04
Long Term Liabilities	
SCP Loan	2,270,403.42
WPL Note Payable	1,539,707.41
Zartis Note Payable	750,000.00
Total Long Term Liabilities	<u>4,560,110.83</u>
Total Liabilities	15,302,532.87
Equity	
Opening Bal Equity	-8,563,359.75
Net Income	-5,168,174.41
Total Equity	<u>-13,731,534.16</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,570,998.71</u></u>

US BANKRUPTCY COURT  
DISTRICT OF DELAWARE

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Reporting Period  
August 1, 2006 through September 7, 2006

STATUS OF POSTPETITION TAXES						
	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check # or EFT	Ending Tax Liability
<b>Federal</b>						
Withholding	19,610.46	367,573.63	387,184.09		EFT	-
FICA-Employee	7,732.59	72,225.56	79,958.15		EFT	-
FICA-Employer	7,732.53	72,225.56	79,958.09		EFT	-
Unemployment	26.77	1,157.63	1,184.40		EFT	-
Income						
Other						
<b>Total Federal Taxes</b>	<b>35,102.35</b>	<b>513,182.38</b>	<b>548,284.73</b>	-	-	-
<b>State and Local</b>						
Withholding	5,451.57	49,185.82	54,637.39		EFT	-
Sales						
Excise						
Unemployment	109.20	1,676.21	1,785.41		EFT	-
Real Property						
Personal Property						
Other:Local	435.07	7,648.28	8,083.35		wire	-
<b>Total State and Local</b>	<b>5,995.84</b>	<b>58,510.31</b>	<b>64,506.15</b>	-	-	-
<b>TOTAL TAXES</b>	<b>41,098.19</b>	<b>571,692.69</b>	<b>612,790.88</b>	-	-	-

SUMMARY OF UNPAID POSTPETITION DEBTS						
	Current	0-30	31-60	61-90	Over 90	Total
Accounts Payable	-	-	-	-	477,465.30	477,465.30
Wages Payable **	-	-	-	-	-	-
Taxes Payable	-	-	-	-	-	-
Rent/Leases-Building	-	-	-	-	685,492.71	685,492.71
Rent/Leases-Equipment	-	-	-	-	-	-
Secured Debt/ Adequate	-	-	-	-	-	-
Protection Payments	-	-	-	-	-	-
Professional Fees	-	-	-	-	9,361.21	9,361.21
Amounts Due to Insiders	-	-	-	-	-	-
<b>Total Postpetition Debts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,172,319.22</b>	<b>1,172,319.22</b>

Explain how and when the Debtor intends to pay any past-due postpetition debts

All past due debts associated with trade payables are to be paid currently, excluding any agreement otherwise.

\*\* employee expense reimbursements

US BANKRUPTCY COURT  
DISTRICT OF DELAWARE

Postpetition Accounts Payable Aging

September 7, 2006

Case Number: 01-10323-JWV

In re: Breakaway Solutions, Inc.

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
A.B.M. 2000 Cleaning, Inc	0.00	0.00	0.00	0.00	1,911.70	1,911.70 ACCT PAYABLE
ADP	0.00	0.00	0.00	0.00	224.00	224.00 ACCT PAYABLE
Airborne Express	0.00	0.00	0.00	0.00	28.08	28.08 ACCT PAYABLE
aT&T	0.00	0.00	0.00	0.00	805.05	805.05 ACCT PAYABLE
Avaya Communication	0.00	0.00	0.00	0.00	1,366.28	1,366.28 ACCT PAYABLE
Cable & Wireless	0.00	0.00	0.00	0.00	54,389.80	54,389.80 ACCT PAYABLE
Cable & Wireless PMA0905748	0.00	0.00	0.00	0.00	11,027.94	11,027.94 ACCT PAYABLE
Citicorp Vendor Finance	0.00	0.00	0.00	0.00	2,150.14	2,150.14 ACCT PAYABLE
Citizens Conferencing	0.00	0.00	0.00	0.00	4,773.16	4,773.16 ACCT PAYABLE
Continental Stock Transfer & Trust	0.00	0.00	0.00	0.00	716.31	716.31 ACCT PAYABLE
Exodus	0.00	0.00	0.00	0.00	63,605.28	63,605.28 ACCT PAYABLE
Expanets	0.00	0.00	0.00	0.00	59.75	59.75 ACCT PAYABLE
Fedex	0.00	0.00	0.00	0.00	27.09	27.09 ACCT PAYABLE
Healthalliance Hospital	0.00	0.00	0.00	0.00	62.29	62.29 ACCT PAYABLE
Iron Mountain	0.00	0.00	0.00	0.00	78.00	78.00 ACCT PAYABLE
John Scharff Locksmith	0.00	0.00	0.00	0.00	75.00	75.00 ACCT PAYABLE
Level 3	0.00	0.00	0.00	0.00	297,085.17	297,085.17 ACCT PAYABLE
Merrill Lynch	0.00	0.00	0.00	0.00	463.12	463.12 ACCT PAYABLE
Nextel	0.00	0.00	0.00	0.00	1,700.35	1,700.35 ACCT PAYABLE
Peabody Office Furniture	0.00	0.00	0.00	0.00	1,692.20	1,692.20 ACCT PAYABLE
Storage USA Inc	0.00	0.00	0.00	0.00	638.00	638.00 ACCT PAYABLE
Sun Microsystems - Credit	0.00	0.00	0.00	0.00	29,482.62	29,482.62 ACCT PAYABLE
UPS	0.00	0.00	0.00	0.00	4.54	4.54 ACCT PAYABLE
US Coffee	0.00	0.00	0.00	0.00	146.14	146.14 ACCT PAYABLE
Verizon	0.00	0.00	0.00	0.00	4,953.29	4,953.29 ACCT PAYABLE
Bayard Firm	0.00	0.00	0.00	0.00	9,361.21	9,361.21 PROF FEES
510 Investors	0.00	0.00	0.00	0.00	20,759.14	20,759.14 RENT
Cotwell Building	0.00	0.00	0.00	0.00	74,635.16	74,635.16 RENT
DallastHines	0.00	0.00	0.00	0.00	214,196.44	214,196.44 RENT
Equivest Management Inc	0.00	0.00	0.00	0.00	371,401.45	371,401.45 RENT
Execu-Suites, Inc.	0.00	0.00	0.00	0.00	4,500.52	4,500.52 RENT
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,172,319.22</b>	<b>1,172,319.22</b>

**Reporting Period**  
**September 7, 2006**

**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**

<b>Accounts Receivable Reconciliation</b>		<b>Amount</b>
Total Accounts Receivable at the beginning of the reporting period		258,008.19
+ Amounts billed during the period		-
- Amounts to bad debt		38,107.60
- Amounts collected during the period (grossed up for commissions)		-
<b>Total Accounts Receivable at the end of the reporting period</b>		<b>219,900.59</b>

<b>Accounts Receivable Aging</b>		
0-30 days old		0.00
31-60 days old		0.00
61-90 days old		0.00
91+ days old		591,507.75
<b>Total Accounts Receivable</b>		<b>591,507.75</b>
Amount considered uncollectible (Bad Debt)		-528,977.16
<b>Accounts Receivable (Net)</b>		<b>62,530.59</b>

**DEBTOR QUESTIONNAIRE**

<b>Must be completed each month</b>	<b>Yes</b>	<b>No</b>
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		<b>X</b>
2. Have any funds been disbursed from any account other than a debtor in possession account this period? If yes, provide an explanation below.		<b>X</b>
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.		<b>X</b>
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.		<b>X</b>



**Bank Reconcilement****From: August 1, 2006 through September 7, 2006**

Book Balance 7/31/06	\$196,999.45
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Disbursments	2,751.20
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Book Balance 7/31/06	\$ 194,248.25
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Bank Balance	\$ 196,298.45
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Open Checks	\$ 2,050.20
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Adj. Bank Balance	\$ 194,248.25
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Variance	0
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